

Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 (ISO) W

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R 291646Z MAR 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9169

INFO AMEMBASSY BEIRUT

AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY TEHRAN

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 03996

EXDIS

BEIRUT PASS BAGHDAD

E.O. 11652: XGDS-1

TAGS: ENRG, EAID, IN, IR, UK

SUBJECT: INDIAN-IRANI-IRAQI OIL AND AID TO INDIA

REF: LONDON 2995; NEW DELHI 3601; TEHRAN 2163

SUMMARY: BRITISH BELIEVE THAT CONCESSIONARY IRANIAN OIL TERMS TO INDIA, IF TRUE, ARE OF IMPORTANCE IN DISCUSSION OF FUTURE AID TO INDIA BY RENDERING INDIA'S PROSPECTS SOMEWHAT MORE HOPEFUL (AND THEREFORE AID-WORTHY) THAN IBRD PROJECTIONS HAVE SUGGESTED. BRITISH ARE KEEN ON THE SUBJECT AND ANXIOUS TO HEAR WHAT USG HAS IN MIND RE FOOD OR OTHER ASSISTANCE NEXT YEAR. THEY HOPE FOR AN INDICATION AT LEAST BY TIME OF PARIS MEETINGS APRIL 8-11. END SUMMARY.

1. AS ADDRESSEES AWARE, BRITISH WERE FIRST TO TELL US OF INDO-IRANIAN OIL DEAL THOUGH THEY APPARENTLY GOT CONFIDENTIAL

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SOME OF THE DETAILS WRONG (LONDON REFTEL). WE HAD

SHOWN FINANCIAL TIMES ARTICLE BY DAVID HOUSEGO OF FEBRUARY 23 (MENTIONED NEW DELHI REFTEL) TO FCO SOUTH ASIA DEPT HEAD CHALMERS, BUT HE THEN DISBELIEVED PRICE OF \$3.50.

2. WHILE PROTECTING SOURCE (AND EVEN COUNTRY OF ACQUISITION) WE THOUGHT IT ONLY FAIR (AND USEFUL) TO IMPROVE ON BRITISH REPORT WITH CHALMERS MARCH 26 BY POINTING OUT GOOD LIKELIHOOD DEAL CONSISTED OF DOWNPAYMENT OF \$3.50 PER BARREL, INITIAL FIVE-YEAR GRACE PERIOD ON PAYMENTS, AND REPAYMENT OVER FURTHER FIVE-YEAR PERIOD AT 2-1/2 PER CENT.

3. WHILE AGREEING TO HOLD THIS INFORMATION CLOSELY FOR THE MOMENT, CHALMERS POINTED OUT ITS IMPORTANCE FOR UPCOMING CONSORTIUM DISCUSSIONS IN PARIS ON AID TO INDIA. ASSISTANT SECRETARY BUIST OF ODA JOINED US AT THIS POINT. DESCRIBING THE VAST SHORTFALL OF \$775 MILLION PROJECTED BY THE IBRD FOR INDIA NEXT YEAR DUE MAINLY TO HIGHER OIL PRICES, BUIST AND CHALMERS EMPHASIZED THAT THE PROSPECT OF REDUCING SUCH A SHORTFALL BY PUSHING OFF REPAYMENT THROUGH DEALS OF THIS SORT PUTS INDIA BACK IN THE RUNNING FOR ASSISTANCE AND MAKES IT POSSIBLE TO CONSIDER IMPROVEMENT OVER A PERIOD OF YEARS THROUGH SUCH THINGS AS HELP IN DEVELOPING INDIA'S OWN ENERGY RESOURCES.

4. AT SAME TIME, BUIST SAID HE DID NOT WISH TO PLAY DOWN THE IMMENSE PROBLEM PRESENTED BY IBRD SHORTFALL PROJECTIONS. DEVELOPMENT OF INDIAN ENERGY RESOURCES XGDS-1
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IS A LONG, COSTLY PROCESS AT BEST. YET THERE MUST BE SOME GLIMPSE OF LIGHT AT THE END OF THE TUNNEL IF ONE IS TO PROCEED. HE MENTIONED RECENT 10 MILLION POUND ADDITION TO LAST YEAR'S UK PLEDGE OF 63 MILLION. YET IBRD PROJECTIONS OF AN INCREASE IN AID NEXT YEAR DEPEND A GREAT DEAL ON POSSIBLE CONTRIBUTIONS OF FOOD OR SIMILAR FUNGIBLE ASSISTANCE BY THE U.S.

5. BRITISH ARE LOOKING FORWARD TO PRELIMINARY MEETING WITH U.S. IN PARIS APRIL 8 PRIOR TO INDIA CONSORTIUM MEETING APRIL 9-11. THEY HOPE FOR SOME INDICATION OF U.S. THINKING ON THIS SUBJECT.

6. FINALLY, BRIEF DISCUSSION OF POSSIBLE INDIAN-IRAQI AGREEMENT TO LOWER PRICES OF OIL CONTRACTED FOR LAST YEAR PRODUCED MUCH SKEPTICISM FROM CHALMERS. HE SAID HE DOUBTED IRAQIS WOULD PROVE GENEROUS, EVEN IF SADAM HUSSEIN IS IN NEW DELHI AT PRESENT. HE SAID INDIANS ARE FULSOME IN THEIR COMPLAINTS AGAINST IRAQI REGIME FOR JACKING UP PRICE OF OIL WELL ABOVE PRICES THEY
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SHOULD HAVE BEEN GIVING FRIENDLY STATE SUCH AS INDIA SINCE BEGINNING OF PETROL CRISIS. INDIANS ARE FUMING, HE SAID. WE DID NOT COMMENT.

7. COMMENT: WE UNDERSTAND THAT AID TO INDIA IS OF SPECIAL INTEREST TO NEW LABOR GOVERNMENT MINISTER FOR DEVELOPMENT MRS. JUDITH HART. SHE IS SUPPORTED BY HER WORKING-LEVEL ODA DEVELOPMENT ECONOMISTS, AS WELL AS BY GENERAL SYMPATHY FOR SUBCONTINENT ON PART OF OTHER PROMINENT LABOR GOVERNMENT FIGURES.

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